

FY10 Operating Budget Forum Bethesda-Chevy Chase Regional Services Center

January 26, 2009

Prepared by
the Office of Management & Budget and
the Department of Finance

www.montgomerycountymd.gov/omb

County Executive Priorities

1. Affordable Housing in an Inclusive Community
2. Children Prepared to Live and Learn
3. An Efficient and Effective Transportation Network
4. Healthy and Sustainable Neighborhoods
5. Responsive, Accountable County Government
6. Safe Streets and Secure Neighborhoods
7. Strong and Vital economy
8. Vital Living for All of Our Residents

Operating Budget Process

- MCG Departments Prepare Submissions: Sept-December
- Agencies submit budgets to County Executive/Council – December/January
- OMB Reviews Submissions and Makes Recommendations to County Executive December - March
- County Executive Transmits Budget to the County Council on March 16
- County Council Public Hearings Early April
- County Council reviews budgets April – May
- County Council Approves Budget and Taxes – by June

Two Budgets

- Operating Budget: Services
 - K-12 education
 - Community College education
 - Public safety: Police, Fire, Courts, Corrections
 - Transportation: Roads, Traffic, Bus
 - Social Services: Health, Income Maintenance, other
 - Environmental protection
 - Parks, recreation, and libraries
 - Land use planning and regulation
 - Trash collection and disposal
 - Economic development
 - Debt Service
- Capital Budget: Facilities
 - Schools, College facilities
 - Roads and bridges
 - Water and sewer facilities
 - Information technology infrastructure
 - Libraries
 - Police and fire stations
 - General government facilities

Results Based Budgeting

- Transition from Incremental Based Budgeting
- Evaluate existing programs and requests for new services, improvements and expansion in terms of:
 - Direct, measurable contribution to County Executive priority results
 - Community Wide Indicators
 - Department Performance Plans
 - Departmental Program Measures
 - Contributing/Restricting Factors and Trends
 - Evidence based strategies
 - Partners/Collaboration

Operating Budget

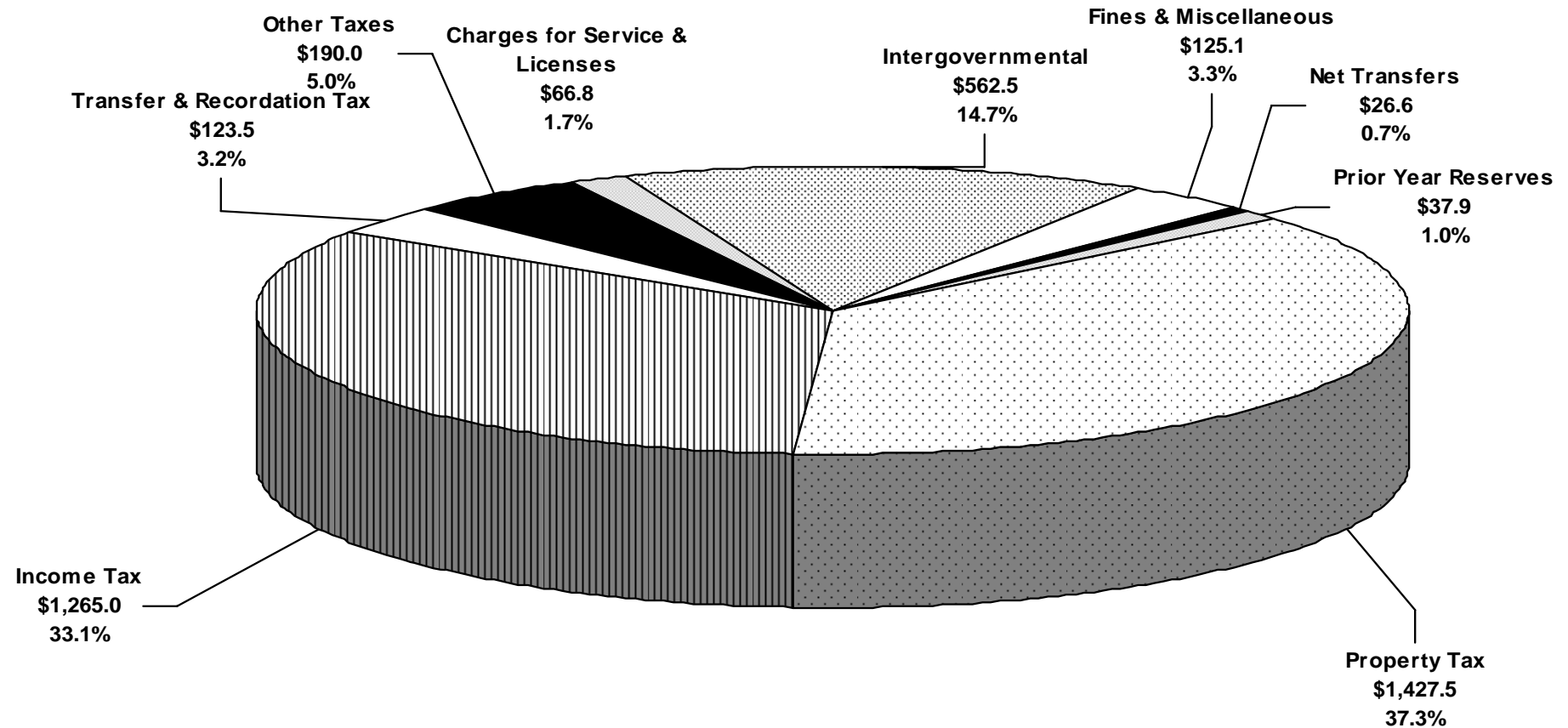
- County Budget is divided into two parts: Tax Supported and Non Tax Supported
- Tax supported side of the budget only, excludes grant and self-supporting funds (non-tax supported funds)
- Grants and Self Supporting funds are self sustaining and largely not subject to fluctuations in tax receipts.
 - Total Non Tax Supported Funds: \$554.3 M;
 - Grants: \$198.5 M. and
 - Self Supporting funds: \$355.8 M.

County Executive's Fiscal Plan

- Resources
 - Prior year fund balance
 - Net transfers
 - Revenues
- Uses of Resources
 - Current revenue to support the Capital Budget
 - Debt service
 - Year-end reserves
 - Agency expenditures

FY10 TAX SUPPORTED FISCAL PLAN SUMMARY

TOTAL PROJECTED RESOURCES - \$3,824.9 (million)



FY10-15 Fiscal Plan

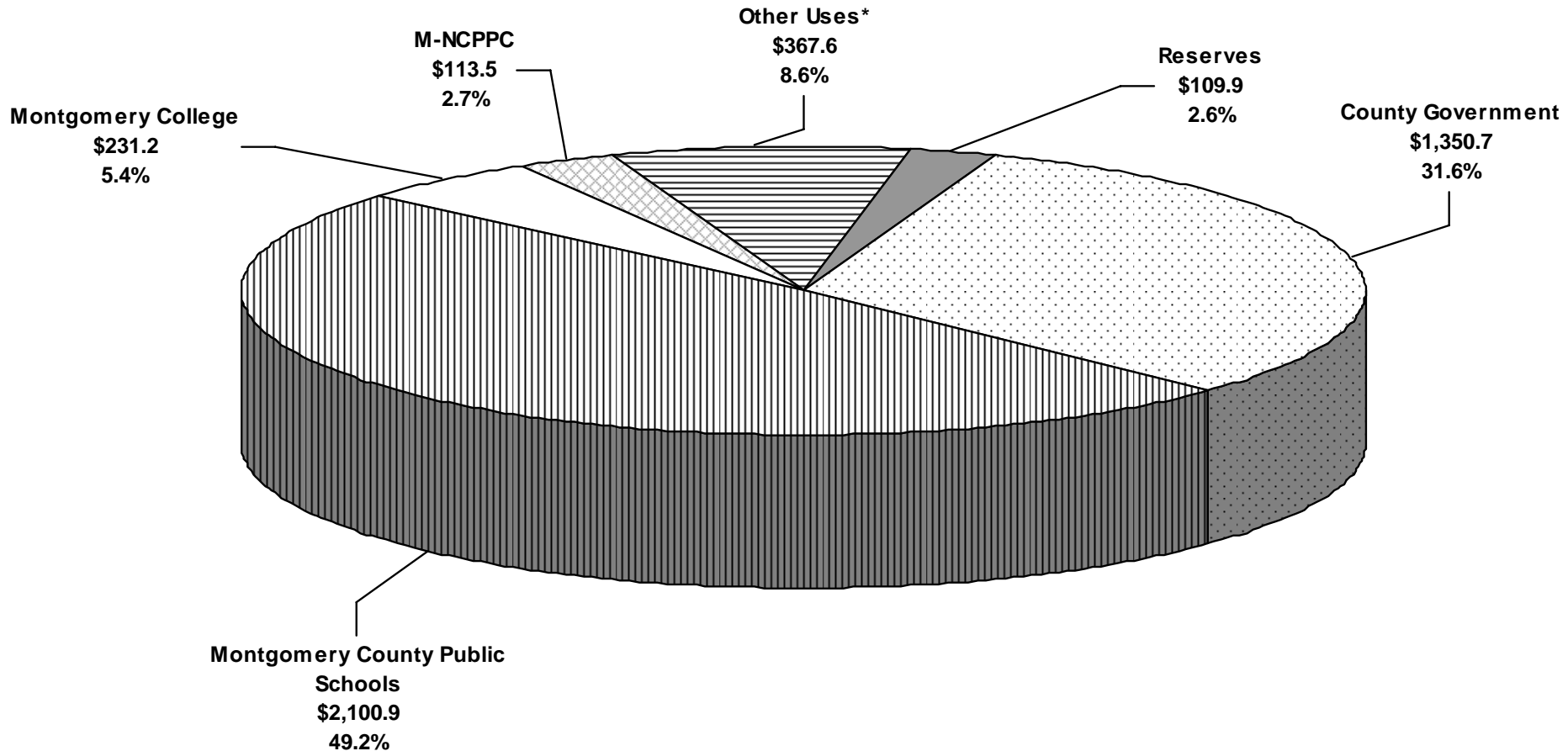
Selected Fiscal Assumptions: Resources

- Property tax revenues are projected at the Charter Limit
- Other tax revenues and user fees are projected at their current rates
- Latest Revenue Estimates indicate decline in anticipated revenues of approximately \$284 million compared to estimates assumed at the time the FY09 budget was approved
- Full funding of existing intergovernmental aid formulas
 - State Aid for Schools – including GCEI
 - Does not include State repayment of \$24 million or recalculation of FY10 Education Aid for Montgomery County

FY10

TAX SUPPORTED FISCAL PLAN SUMMARY

TOTAL PROJECTED USES OF FUNDS - \$4,273.8 (million)



*This total covers funds to support Capital Investment including Debt Service, CIP Current Revenue, and Paygo.

FY10-15 Fiscal Plan

Selected Fiscal Assumptions: Expenditures

- Expenditures at same services rate of growth
- Retiree Health Insurance phase-in included in agency operating budgets
- \$1.8 million in approved supplemental appropriations
- \$17.2 million set aside in FY09 for pending and potential supplemental appropriations (FY08 \$20.2 M)

County Executive's Fiscal Plan

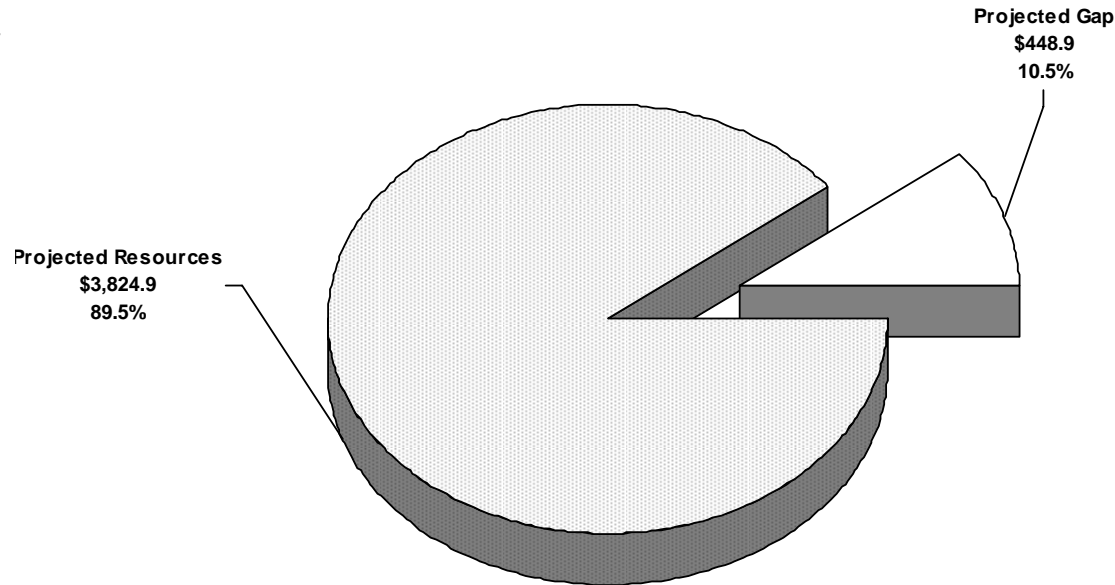
- Gap is difference between total projected resources and total projected uses
- The budget is balanced when projected resources are equal to all projected uses, including the funding of reserves to the policy level

FY10 TAX SUPPORTED FISCAL PLAN SUMMARY

TOTAL PROJECTED USES - \$4,273.8 Million

The Gap was reduced from \$515 million to \$449 million implementing the following measures:

- A hiring freeze began during FY08 and continued in FY09.
- Decreased FY09 spending by \$32.5 million across all agencies.
- Reduced estimated FY09 supplemental appropriations by \$21.1 million.
- Decreased agency spending in FY10 by \$16.3 million due to decreased fuel costs.



Actions Taken to Date

- Hiring Freeze effective January 3, 2008
- 11 Point Economic Development Plan: Provide regulatory relief and expanded procurement opportunities for County businesses
- Liquidation of selected outstanding contracts
- FY09 Savings Plan: Identified savings of \$33 million:
 - County Government: \$25.4 M.
 - Public Schools: \$3 M.
 - Montgomery College: \$2.1 M.
 - MNCPPC: \$2.5 M.

FY10 Fiscal Outlook

- Major expenditure pressures:
 - Compensation and benefits
 - Continued phase-in of pre-funding retiree health insurance benefits
 - Operating Cost of Capital Facilities (Schools, College, other)
 - Information Technology: Staffing, maintenance & license agreements, hardware replacement
 - Costs to *sustain* investments in education, public safety staffing, health care for uninsured, other health and human services, affordable housing, and other critical programs
 - Unavoidable cost increases related to:
 - energy costs: fuel and utilities,
 - insurance,
 - health care,
 - pensions, and
 - occupational medical services

FY10 Fiscal Outlook

- Major expenditure pressures (continued):
 - Deferred infrastructure maintenance – information technology, facilities, and roadways
 - Compliance with external mandates (e.g., HIPAA, Payment Card Industry, ADA, etc.)
 - Operating impact of new facilities – libraries, schools, college, recreation centers, fire stations
 - Increasing student enrollment
 - Demand for new and enhanced services including expanded health care for the uninsured, early childhood education, subsidies for developmental disability service providers

FY10 Fiscal Outlook

Risk and uncertainty:

- State Aid reductions: State agency implementation of directed expenditure reductions (e.g. reduction in formula aid, reimbursements, pressure for County to replace lost state funding, etc)
- Potential shifting of State responsibilities to local governments
- Further deterioration of the economy and its impact on local tax revenues and the demand for services
- Income tax: prolonged impact of equity market declines, wage freezes, stagnant job growth, and layoff
- Federal Economic Stimulus Package